

July 22 2024

## President Ramaphosa's land release push could profoundly help build an inclusive agriculture sector in South Africa

- In his Opening of Parliament Address (OPA) last week, President Cyril Ramaphosa stated that the government, " *will increase funding to land reform, prioritise the transfer of state land and improve post-settlement support by strengthening the institutional capacity of responsible structures.*"
- This profound statement is at the heart of South Africa's agricultural inclusive growth agenda. Over time, the South African government has amassed over 2 million hectares of land that was never released to beneficiaries with title deeds. These now mostly underutilised government-owned farms were acquired through the Pro-active Land Acquisition Strategy and sit in the Government Land Holding Account.
- Many black farmers we interact with tell countless stories of frustration and their inability to expand and commercialise their farming operations because of their lack of secure access to land. In instances where they have access to the land, the short-term leases that the government provides them, hinder accessing capital and expanding their farming operations to commercial and viable businesses that could create sustainable jobs for communities. In some cases where farmers have made a success despite the insecure lease arrangements, they are unceremoniously and illegally removed from the farms by [corrupt officials](#) in the Department of Land Reform and Rural Development<sup>1</sup>. This lack of insecure tenure to land is one of the factors that contributes to South Africa's longstanding challenge of duality, a topic discussed in greater detail in our recent work of "[A Country of Two Agricultures](#)".
- If South Africa is to see the expansion of the gross value added to agriculture, an increase in black farmers' share in commercial farming, and a boost in agricultural jobs, transferring the state land to appropriately selected beneficiaries, with title deeds, should be a starting point. The OPA was not the first time President Ramaphosa spoke about the need to accelerate land reform in South Africa and boost the farming economy. But, it was certainly one of the few times where there was clarity about the need to release state land to beneficiaries.
- The speedy launch of [the Land Reform and Agricultural Development Agency](#) will be critical for driving the objective that the President outlined. President Ramaphosa first announced this Agency in his 2021 State of the Nation Address. In the years that followed, the then Minister of Agriculture, Land Reform and Rural Development, Ms Thoko Didiza, championed the Agency and its formation. While not formally launched by Minister Didiza's end of term, we understand the internal process was virtually completed. However, we fail to understand why the officials have delayed the process.

<sup>1</sup> <https://www.dailymaverick.co.za/article/2024-03-10-award-winning-karoo-wool-farmers-win-battle-to-have-farms-returned-after-government-locked-them-out/>

- Thus, to bring life to President Ramaphosa's words, we see no need to reinvent the wheel. The government should launch the Land Reform and Development Agency speedily. While there would be a temptation to accommodate such an Agency under the Department of Land Reform and Rural Development, it would be appropriate to place it as a stand-alone Agency, running on slim staff or housed under one of the State entities that work with the Department of Agriculture closely. Bringing private sector stakeholders into its management would be vital to rescue it from the internal politics of the Department of Land Reform and Rural Development. The corruption cases in this department over the years are evident in various media coverages and [books](#). Thus, the work of releasing land and providing post-settlement support requires a fit-for-purpose and competently run institution.
- Still, the Agency would not be divorced from its parent department, which would continue to provide policy guidelines. The execution of work, however, should happen at arm's length. For example, the selection of beneficiaries would still be guided by the government's Beneficiary Selection Criteria policy.
- Regarding the "post-settlement support" that the President noted, we believe the beneficiaries of the land would be individuals who could benefit from the Blended Finance Scheme. This Scheme is currently run by the Department of Agriculture, Land Bank, and other financial institutions and agribusinesses. There would also be room for commodity associations to help lend support through training when required in some beneficiaries.
- Notably, the Department of Land Reform and Rural Development would still focus on critical land policy aspects such as completing all outstanding land claims, modernise the deeds office, the reform of communal land tenure, the Ingonyama Trust and communal property associations.
- President Ramaphosa provided clarity this past week about the government's policy direction on land reform and agricultural development. The President's intention is to continue releasing land to black farmers, which is vital to building an inclusive farming sector. If done with great focus and collaboration with relevant departments and stakeholders in the sector, this may be a first step towards addressing South Africa's profound challenge of being "[A Country of Two Agricultures](#)".

## WEEKLY HIGHLIGHT

### The Agriculture Budget Vote Speech presented a positive message for the sector

- The national government departments, among other things, are primary policy-making bodies. Thus, it is always wise to listen to the leadership of each department when they make significant speeches. July 16 was one such day where the political leadership of the Department of Agriculture, Minister John Steenhuisen, tabled his [Budget Vote Speech](#).
- We found the speech valuable, underscoring a message of continuity from the sixth administration, with an added focus on relentless implementation. Minister Steenhuisen stated that "[The Agriculture and Agro-processing Master Plan \(AAMP\)](#), adopted in 2022, is the framework upon which the inclusive growth of the Agricultural sector is premised. The AAMP adoption process has enjoyed broad sectoral support, and I wish to

clarify that I have no intention of reinventing the wheel. Instead, the focus will rather be on accelerating the implementation of the objectives of the AAMP and ensuring that my department upholds its commitments contained in the plan." We support this view. The strength of the AAMP is its "value chain deep dives", which is the clear focus on each commodity, unpacking the challenges and opportunities, and notably the interventions to accelerate growth.

- The AAMP also takes a commodity corridor approach, which is crucial in a country like South Africa, where some regions have been at the periphery of the agricultural progress these past few decades. Here, we specifically think of the untapped potential in the Eastern Cape, Limpopo and KwaZulu-Natal regions, along with the underutilized government-owned farms acquired through the Pro-active Land Acquisition Strategy. The relentless implementation of the AAMP, which the Minister alluded to, is critical.
- The necessary step the Department of Agriculture should follow from now on is the clear communication of the AAMP's renewed ambition with all stakeholders across all levels of government. This could happen alongside the engagements with various organized agriculture leaders. The regrouping and assurance that the AAMP is the country's guiding policy is necessary. After that, a delivery process with timelines would be required for the Department of Agriculture to regain confidence, as some may have doubted the implementation. Many of the interventions required by the AAMP also rests on the shoulders of other Government Departments and cabinet Ministers. Inter-departmental cooperation and alignment will be critical to the success of the AAMP.
- The AAMP rests on partnerships with the private sector, labour, and other social partners. The leadership in the Department of Agriculture understands this and states that *"The collaborative approach we need involves leveraging the skills, resources, and knowledge already available in the private sector, industry, and agribusiness to work hand in hand with the government."*
- Without financial support, the AAMP implementation would not be a success, particularly the support required by new entrant farmers. Minister Steenhuisen stated, *"Access to finance has also proven to have been a significant constraint on the ability of new entrant and small farmers to succeed. This is highlighted starkly by Wandile Sihhlobo in his excellent book ["A Country of Two Agricultures"](#). The Department of Agriculture developed the Blended Finance Scheme to increase Access to affordable finance for black producers in the agriculture and agro-processing sector, as part of our commitment to the Agriculture and Agro processing Master Plan (AAMP). Blended finance involves the provision of grants by the state and loans by private finance institutions, including development banks. To date, the department has successfully partnered with the IDC, the Land Bank, and ABSA and is concluding agreements with FNB, Nedbank, and SEFA."* Continuing the Blended Finance and other financial programmes, the Department of Agriculture holds is vital.
- Another less celebrated, yet important catalyst to South Africa's agricultural progress since the dawn of democracy, is the contribution of scientists and breeders. Improved crop and plant yields and better animal genetics have been at the heart of South Africa's agricultural progress. We now have a sector that has more than doubled since 1994 in value and volume, primarily because of the contribution of the scientists, among others. South Africa should intensify its efforts in this area and be more open to adopting new breeding techniques and technologies that will drive productivity in the sector in the coming years.

- The Budget Vote Speech states that the Department of Agriculture will "*prioritize innovation, research, and development to drive technological advancement and best practices within the sector.*" We welcome this clarity and would support complementary reform that promotes and supports local innovation. Stakeholders in the value chain want to see more profound engagement with scientists in the Department of Agriculture on new breeding technologies to find a fit-for-purpose regulatory framework.
- Moreover, the importance of a continuous focus on biosecurity, particularly animal health, cannot be overemphasized. The livestock and poultry industries account for roughly half of South Africa's farming economy. Therefore, it makes sense for the Department of Agriculture to maintain this as its primary focus. South Africa is also on its path to growing its red meat and wool exports; the success of this ambition depends on the improvements we can make to animal health. The private sector-government collaboration in this area is encouraging and should continue.
- Overall, we deem the Budget Vote Speech by Minister Steenhuisen to be positive for the agricultural sector. The one area the Minister could have underscored is that the success of the AAMP, particularly in empowering new entrant farmers, also rests on the collaboration with the Departments of Land Reform and Rural Development. This department should continue releasing over two million hectares of state land to beneficiaries with title deeds, as Minister Thoko Didiza has already started. The beneficiaries should be individuals who could benefit from the Blended Finance Scheme. Likewise, the AAMP's objective to open up new markets for South African agricultural products require a concerted effort between the Departments of Agriculture, International Relations, Trade, Industry and Competition.
- We believe the Land Reform Agency, which President Ramaphosa proposed and structured under Minister Didiza, will be an efficient instrument for the land release. It is vital that this Agency, with a primary focus on releasing land, be launched as a matter of urgency while the Department of Land Reform and Rural Development retains its focus on critical policy aspects such as the reform of communal land tenure, the Ingonyama Trust and communal property associations. This agency will help us achieve fundamental transformation in the agricultural sector of South Africa – transformation in terms of demographics and the size of the farming economy for the good.

## WEEK AHEAD

### What we are watching this week

- We start the week with a global focus, and today, the United States Department of Agriculture (USDA) releases its weekly **US Crop Progress** report. The maize planting across the US is complete, and now our focus is on the growing conditions of the 2024/25 crop. In the week of July 14, about 68% of the US maize crop was rated good/excellent (compared with 57% rating at the same time last year). On the same day, the US soybean crop was also rated at 68%, and this crop was rated good/excellent (compared with the 55% rating at the same time last year).

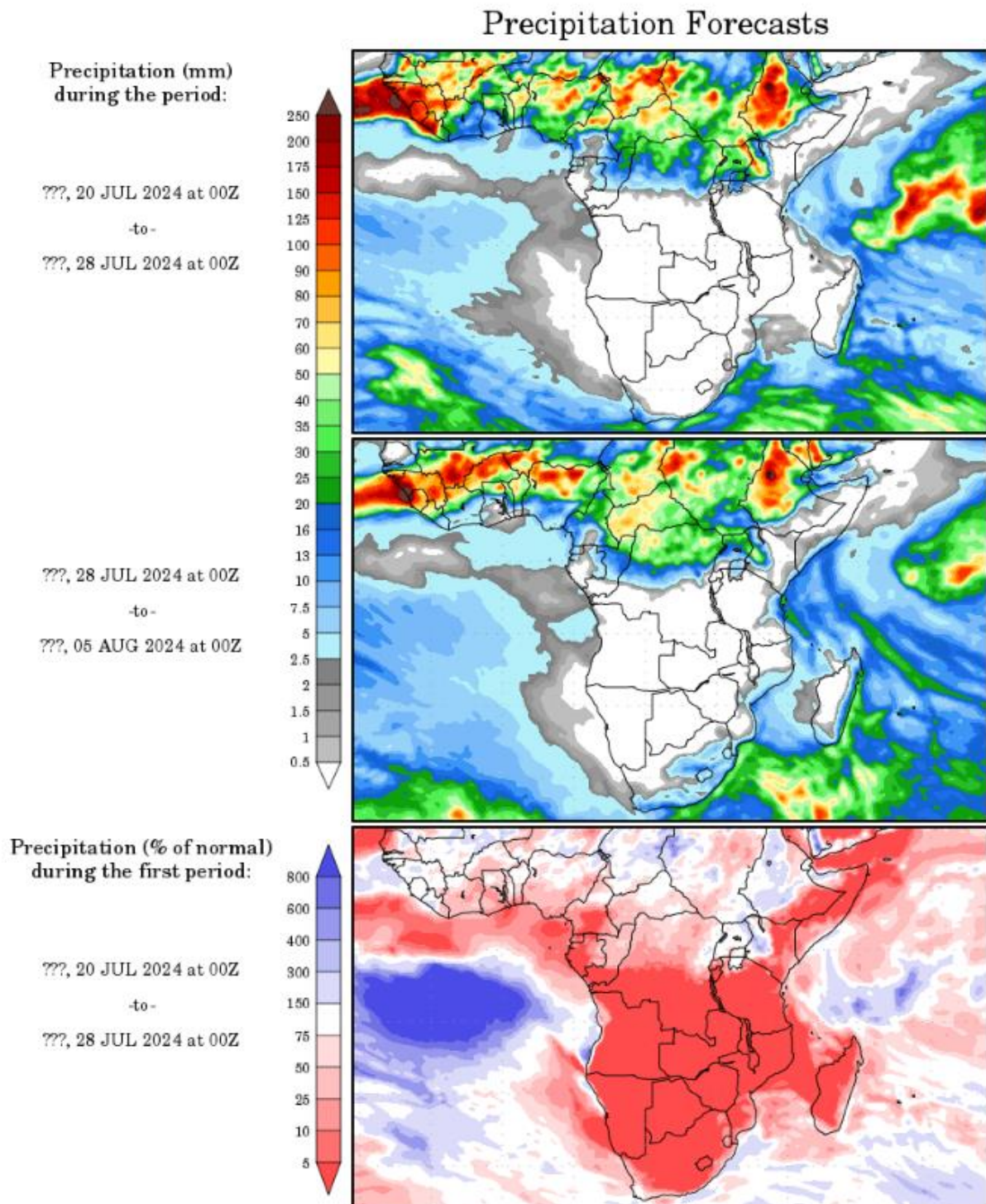
- Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- Within the domestic front, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data. In the case of maize, this week, we will see a release of the data for the 12th week of the new marketing year, 2024/25. In the previous release on July 12, South Africa's weekly maize producer deliveries were about 460 555 tonnes. This placed the 2024/25 maize producer deliveries at 8,5 million tonnes out of the expected harvest of 13,4 million tonnes.
- The 2024/25 soybean deliveries in the first 20 weeks of this new marketing year amounted to 1,68 million tonnes out of the expected harvest of 1,78 million tonnes. At the same time, the sunflower seed deliveries amounted to 601 996 tonnes out of the expected harvest of 649 250 tonnes. In the case of wheat, last week, 1 750 tonnes of wheat were delivered to commercial silos. This placed the 2023/24 wheat producer deliveries at 1,98 million tonnes out of the harvest of 2,10 million tonnes.
- Also on Wednesday, Statistics South Africa will release the **Consumer Price Index (CPI)** data for June 2024. In May 2024, consumer food inflation slowed to 4,3%, from 4.4% in the previous month. This deceleration was primarily driven by price moderations in "bread and cereals", "milk, eggs and cheese", "oils and fats", and "sugar, sweets and desserts". Meanwhile, other products in the food basket experienced a mildly increase.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 12th week of the 2024/25 marketing year. In the previous release on July 12, the eleventh week of the 2024/25 marketing year, South Africa exported 55 833 tonnes of maize. Of this volume, 52% was exported to Zimbabwe, 22% to Mozambique, and the balance to the rest of the neighbouring African countries. This places South Africa's total maize exports in the 2024/25 marketing year at 421 947 tonnes out of the expected exports of 1,4 million tonnes (down from 3,4 million tonnes in the 2023/24 marketing year because of the mid-summer drought).
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024/25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina through Cape Town. South Africa's 2024/25 maize imports currently stand at 103 497 tonnes.
- South Africa is a net wheat importer, and July 12 was the 41st week of the 2023/24 marketing year; South Africa's 2023/24 wheat imports totalled 1,5 million tonnes out of the seasonal forecast of 1,6 million tonnes. The major wheat suppliers include Poland, Lithuania, Latvia, Russia, and Australia.
- Also on Thursday, Statistics South Africa will release the **Producer Price Index (PPI)** data for June 2024.
- On Friday, the Crop Estimates Committee will release its **sixth production forecast for summer field crops for 2024**, as well as the **preliminary area planted estimate for winter cereals for 2024**.



## South Africa's Precipitation forecast

- The weather forecast for the week shows clear skies over most regions of South Africa. This is a much needed relief for some regions, such as the Western Cape, which has received excessive rains these past weeks. The fairly warm weather will be conducive for agricultural activity in the province.

### Exhibit I: South Africa's precipitation forecast



Source: George Mason University (wxmaps)